

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

AMEREN ILLINOIS COMPANY)	
)	Docket No. 13-0192
Proposed general increase in gas rates)	

**REBUTTAL TESTIMONY OF RALPH C. SMITH
ON BEHALF OF
THE PEOPLE OF THE STATE OF ILLINOIS
AND
THE CITIZENS UTILITY BOARD**

AG/CUB Exhibit 8.0

AUGUST 7, 2013

AMEREN ILLINOIS COMPANY
DOCKET NO. 13-0192
REBUTTAL TESTIMONY OF RALPH C. SMITH
TABLE OF CONTENTS

I. INTRODUCTION1
II. ISSUE DISCUSSION.....1

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. Ralph C. Smith, 15728 Farmington Road, Livonia, Michigan 48154.

4

5 **Q. Are you the same Ralph C. Smith who previously filed direct testimony in**
6 **this case on behalf of the Citizens Utilities Board (“CUB”) in response to the**
7 **request by Ameren Illinois Company d/b/a Ameren Illinois (“AIC,”**
8 **“Ameren” or “Company”) to increase their gas delivery service rates?**

9 A. Yes, I am.

10 **II. ISSUE DISCUSSION**

11 **Q. What issue are you addressing in your rebuttal testimony?**

12 A. I am addressing the issue of the amount of pension and Other Post-Employment
13 Benefits (“OPEB”) expense to use in the future test year for establishing the
14 revenue requirement for AIC’s jurisdictional gas utility service.

15

16 **Q. Why does AIC oppose making the adjustment for pension and OPEB costs**
17 **that you recommended in your Direct Testimony?**

18 A. AIC witness Nelson presents two reasons at pages 5-6 of his Rebuttal Testimony
19 (Ameren Exhibit 16.0): (1) he claims that the adjustment is not in accordance
20 with the Commission's test year rules for updating future test year information;

21 and (2) he claims that it is not appropriate to single out one change in the future
22 test year forecast.

23

24 **Q. Do you agree with Mr. Nelson that the pension and OPEB costs should be as**
25 **originally filed by the Company, with no adjustment?**

26 A. No. As I explained in my Direct Testimony, the following adjustments are
27 necessary to appropriately state AIC's jurisdictional costs for pensions and OPEBs
28 for the future test year:

- 29 • Ameren's proposed jurisdictional expense for Pensions OPEBs should be
30 reduced by \$3,912,814 as shown on AG/CUB Exhibit 4.2, Schedule RCS-1,
31 sections III and IV.
- 32 • Ameren's proposed jurisdictional rate base should be reduced by \$444,165 for
33 the average 2014 impact of more accurate information for capitalized
34 Pensions and OPEBs as shown on AG/CUB Exhibit 4.2, Schedule RCS-1,
35 sections III and V.

36 These adjustments continue to be necessary for the reasons described in my Direct
37 Testimony.

38

39 **Q. Are the calculations in your Direct Testimony still accurate?**

40 A. Yes. Ameren's response to CUB 3.01(b) stated that the Company agrees that all
41 of the amounts on the table are accurate based on the information requested in AG
42 3.17 and consistent with the response to AG 3.17 Attachments 2 and 3, which
43 were attached to my direct testimony. Additionally, the Company's February
44 2013 update of the 2013 and 2014 Pension and OPEB Expense Forecasts
45 continues to provide the most updated and accurate information the Company has

46 for 2014 pension and OPEB costs and should therefore be used for ratemaking
47 purposes.

48

49 **Q. From a regulatory policy perspective, please respond to Mr. Nelson's**
50 **proposed interpretation of the rules for updating future test year**
51 **information.**

52 A. Mr. Nelson's interpretation that utility estimates for a future test year need not or
53 cannot be updated or adjusted is fundamentally unsound, and, if adopted, would
54 result in a utility's revenue requirement being misstated based on information in a
55 utility's filing that has been shown to be outdated, inaccurate and not reflective of
56 costs that the Company expects to incur during the future test year. Accordingly,
57 the Commission should not adopt Mr. Nelson's interpretation, and should instead
58 make adjustments in instances, such as for pension and OPEB expense in the
59 current case, where more accurate information is available and where appropriate
60 adjustments have been quantified and supported, such as these adjustments have
61 been in the current case by AG/CUB and Staff. Using the best, most accurate
62 information available for test year costs is consistent with sound ratemaking
63 principles.

64

65 **Q. Are you presenting a legal interpretation of the Commission's rate case rules**
66 **for updating future test year information?**

67 A. No. To the extent that Mr. Nelson's proposed interpretation of the Commission's
68 test year is based on a legal interpretation of such rules, AG/CUB reserve the right
69 to present appropriate legal arguments concerning this issue in their briefs.
70

71 **Q. Are you addressing any of the other costs that AIC says would need to also**
72 **be updated?**

73 A. No. My Rebuttal Testimony is strictly confined to the pension and OPEB
74 adjustments and explaining why those adjustments are needed. Pension and
75 OPEB costs are an important component of AIC's test year expenses and accurate
76 information should be used for those costs. The facts show that the Company's
77 filing used inaccurate estimates for pension and OPEB costs and better
78 information is available and should be used. Other witnesses for AG/CUB may
79 be addressing other aspects of AIC's costs in the future test year including some
80 of the other items identified by Mr. Nelson.
81

82 **Q. Please summarize your recommendation concerning future test year pension**
83 **and OPEB costs.**

84 A. AIC's jurisdictional expense for Pensions and OPEBs should be reduced by
85 \$3,912,814 and AIC's proposed jurisdictional rate base should be reduced by
86 \$444,165 for the average 2014 impact of more accurate information for
87 capitalized Pensions and OPEBs as shown on AG/CUB Exhibit 4.2, Schedule
88 RCS-1, filed with my Direct Testimony.
89

90 **Q.** **Does that conclude your rebuttal testimony?**

91 **A.** Yes, it does.